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RUEHKT/AMEMBASSY KATHMANDU 8910
RUEHLO/AMEMBASSY LONDON 1615
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C O N F I D E N T I A L SECTION 01 OF 02 DHAKA 000153

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SUBJECT: FINANCE/PLANNING ADVISOR SUPPORTS EARLY ELECTIONS;
TIMING DEPENDS ON SCOPE OF REFORMS

Classified By: Ambassador Patricia A. Butenis; reason 1.4(d)

¶1. (C) Summary: Finance and Planning Advisor Islam told the Ambassador that the Caretaker Government should hold elections as soon as possible, but the timing of "possible" depends on reaching consensus on the reforms needed to hold free and fair elections. Protecting human rights and minimizing the impact of the state of emergency on civil liberties, including press freedom, is a "shared responsibility" among the advisors and the Caretaker Government may need to revisit recently promulgated regulations, he said. Advisor Islam's top priority for his portfolio is improving revenue collection. End Summary.

¶2. (SBU) The Ambassador and Econ Chief (note taker) met January 28 with Advisor AB Mirza Azizul Islam (Finance, Planning, Commerce and Post & Telecommunications.)

"Possible" Key to Election Timing

¶3. (C) The Ambassador told Islam that the U.S. supports holding free and fair elections at the earliest possible time and said the U.S. stands ready to assist the interim government if asked. She noted the U.S. had pressed both publicly and privately for a political solution and that we had not advocated a state of emergency. She encouraged the Caretaker Government to work with the parties to formulate and announce an agreed time frame for elections.

¶4. (C) Islam replied that he advocates ending the Caretaker Government and holding free and fair elections as soon as possible. "The catch is 'possible'," he said, citing a recent round-table discussion organized by The Daily Star (a leading English language newspaper), where many political, business and civil society leaders espoused support for early elections but proposed reforms that may require significant time to implement. As an example, he noted some suggested election reforms may require new legislation, which must be drafted, discussed publicly, approved and then implemented. Decisions on technical issues such as voter identification cards will also determine the time needed to hold elections. Islam feels the current advisors are working well together as a team, noting most of the advisors knew each other well before joining the Caretaker Government. Islam acknowledged the Caretaker Government may quickly lose the goodwill and popular support it currently enjoys. He said the government is trying to work with the political parties but lamented how

difficult it is to find agreement between the parties on even small issues.

U.S. Watching Human Rights; Civil Liberties

¶5. (C) The Ambassador noted that U.S. foreign assistance to Bangladesh increased in FY 2007 and has continued under the state of emergency. Our requests for the next fiscal year include additional increases, she said. The Ambassador warned, however, that the U.S. will closely watch whether the Caretaker Government observes human rights and protects civil liberties to the greatest degree possible, citing U.S. concern over recently issued rules concerning freedom of speech and the press.

¶6. (C) Islam took the Ambassador's point, saying protecting basic freedoms was the shared responsibility of each of the Caretaker Government advisors. "To be frank," some younger officials in the army and the civil service can be overenthusiastic; senior leaders (and the advisors) need to monitor them more closely, he said. He suggested the recent rules were not government policy (suggesting they were imposed by someone else in the Army) and would need to be revisited. (Note: This begs the question whether the advisors were given an opportunity to review and approve the rules before publication. End Note.)

Finance/Planning Ministries Main Focus

¶7. (C) Islam said his main focus is on increasing government revenue by improving collection of back taxes and loans. He blamed an overly generous judiciary for its

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willingness to issue injunctions against collection actions; often injunctions remain in effect for years. The National Board of Revenue (under the Finance Ministry) is focusing on the largest cases and will seek to remove the injunctions, noting that the establishment of a special court was one proposal under discussion. He would prefer to dedicate two or three sitting judges on the High Court (appellate court) to hear these cases as that solution could be implemented more quickly and would still enable the court to develop expertise in these types of cases.

¶8. (C) Islam also touched on several other issues, including:

-- (C) Energy Pricing: The government will likely implement the previously approved five percent increase in electricity prices for urban users, bringing prices in line with the cost of electricity for rural consumers. The government is considering a pricing formula for petroleum products to reflect changes in world prices. (The modest price increases authorized by the previous BNP government were never implemented.)

-- (C) Privatization of State-Owned Enterprises: Individual ministries will have the lead, but Finance will support their proposals.

-- (C) Biman Airlines: Proposals to privatize the national airline will not work without first completing a major restructuring of the company.

-- (C) Rupali Bank Sale: New issues have arisen because the purchasers wants to increase their stake in the bank. Islam has no objection in principle, but the proposal is with the Law Ministry for clearance.

-- (C) Impact on Foreign Direct Investment: Islam felt foreign investors would welcome the return of political stability, although he acknowledged some may remain concerned by the uncertainty over the tenure of the Caretaker

Government.
BUTENIS